

1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE DISTRICT OF COLUMBIA ECONOMY

The importance of small business to the District of Columbia is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, the District of Columbia had 23,050 businesses with employees; 94.1 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the area also had 14,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 2.9 percent to \$2.2 billion in 1997, while wage-and-salary income rose 2.9 percent. The area also exported \$4.9 billion of goods in 1997. (In 1992, 73.2 percent of the exporters in the district were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 19,000 women-owned businesses in the District of Columbia, including part-time firms, employing 41,200 people and generating \$5.6 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 59.2 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 22.2 percent from 1987 to 1992, totaling 10,111 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 90.6 percent during the same time period with 1,452 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 807 in 1987, to 1,393 in 1992, representing a 72.6 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms decreased 21.1 percent, while new business incorporations decreased 2.3 percent. Financial difficulties leading to business bankruptcies decreased by 16.0 percent and business failures decreased by 23.1 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in the District of Columbia decreased from 38 in 1994 to 7 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
FIRST LIBERTY NB	Washington
FRANKLIN NB OF WA DC	Washington
FIRST UNION NB OF WA DC	Washington

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	10,777	8,867	2,803	8,259	(19,717)	10,990
Manufacturing	358	148	(439)	(225)	(127)	(285)
Retail Trade	1,067	912	1,013	(219)	(4,105)	(1,331)
Services	7,116	6,333	2,807	5,953	(12,320)	9,889
Other	2,235	1,474	(578)	2,750	(3,165)	2,716

Industries - Small firms are represented in many industries. The Membership Organizations industry is the largest small business employer in the District of Columbia, followed by Engineering, Accounting, Research, Management, & Related Services. The fastest growing industry for small business is Insurance Carriers (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	413,532	100.0	46.9
Health Services	8000	66,427	16.1	17.3
Membership Organizations	8600	41,506	10.0	81.8
Eng., Acct., Research, Mngt., & Related Serv.	8700	34,609	8.4	60.2
Educational Services	8200	34,457	8.3	19.5
Business Services	7300	30,291	7.3	53.3

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	193,976	100.0	46.9
Membership Organizations	8600	33,942	10.0	81.8
Eng., Acct., Research, Mngt., & Related Serv.	8700	20,831	8.4	60.2
Legal Services	8100	17,351	7.2	57.9
Business Services	7300	16,141	7.3	53.3
Eating & Drinking Places	5800	15,586	7.3	51.8

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	193,976	1,218	0.6
Insurance Carriers	6300	421	75	17.8
Amusement & Recreation Services	7900	2,216	350	15.8
Transportation By Air	4500	252	37	14.7
Nondepository Credit Institutions	6100	492	70	14.2
Holding & Other Investment Offices	6700	1,242	172	13.8

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.